AUDIT OF THE
NORTH LOS ANGELES COUNTY REGIONAL CENTER
FOR FISCAL YEARS 2015-16 AND 2016-17

Department of Developmental Services
March 13, 2019
This audit report was prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of North Los Angeles County Regional Center (NLACRC) to ensure NLACRC is compliant with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions (W&l) Code; the Home and Community-based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that NLACRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2015, through June 30, 2017, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where NLACRC’s administrative and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding NLACRC’s operations. A follow-up review was performed to ensure NLACRC has taken corrective action to resolve the finding identified in the prior DDS audit report.

Findings to be addressed.

Finding 1: Family Cost Participation-Payments Above the Share of Cost

The review of the Family Cost Participation Program (FCPP) consumer files revealed that NLACRC paid for the share of cost for three of the 20 sampled consumers participating in this program. This resulted in overpayments totaling $8,630.27, from November 2015 through April 2017, for two vendors who provided services to the three consumers. This is not in compliance with CCR, Title 17, Section 50255(a).

NLACRC provided additional information with its response which indicated that it paid above the share of cost for two consumers, resulting in total overpayments of $8,089.01.

Finding 2: Client Trust Balances Over $2,000

The sampled review of 35 consumer trust accounts revealed two consumers with balances above the $2,000 resource limit. This is not in compliance with the Social Security Handbook, Chapter 21, Section 2113.2.
Finding 3: **Equipment Inventory-Missing Equipment**

The sampled review of 40 items selected from NLACRC’s inventory listing revealed four items were missing. This is not in compliance with the State Contract, Article IV, Section 4(a).

NLACRC subsequently provided additional information with its response which indicated that two items were located and the remaining two missing items have been surveyed.
BACKGROUND

DDS is responsible, under the W&l Code, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and integrated lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers (RCs). The RCs are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

DDS is also responsible for providing assurance to the Health and Human Services Agency, Centers for Medicare and Medicaid Services (CMS), that services billed under California’s HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS’ program for providing this assurance, the Audit Section conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPAs) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA’s audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs’ fiscal, administrative, and program operations.

DDS and NLACRC, Inc. entered into State Contract HD149012, effective July 1, 2014, through June 30, 2021. This contract specifies that NLACRC, Inc. will operate an agency known as the NLACRC to provide services to individuals with DD and their families in East Valley, San Fernando, West Valley, and Antelope Valley areas. The contract is funded by state and federal funds that are dependent upon NLACRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NLACRC from August 14, 2017, through September 13, 2017, by the Audit Section of DDS.
AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5 and Article IV, Section 3 of the State Contract between DDS and NLACRC.

CRITERIA

The following criteria were used for this audit:

- W&I Code,
- "Approved Application for the HCBS Waiver for the Developmentally Disabled,"
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and NLACRC, effective July 1, 2014.

AUDIT PERIOD

The audit period was July 1, 2015, through June 30, 2017, with follow-up, as needed, into prior and subsequent periods.
OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system that provides information on RCs' fiscal, administrative, and program operations. The objectives of this audit were:

- To determine compliance with the W&I Code,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and NLACRC.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of NLACRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that NLACRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether NLACRC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and NLACRC.

DDS' review of NLACRC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures, as necessary, to develop appropriate auditing procedures.

DDS reviewed the annual audit reports that were conducted by an independent CPA firm for Fiscal Years (FYs) 2014-15 and 2015-16, issued on February 10, 2016 and February 10, 2017. It was noted that a management letter identifying one finding was issued for NLACRC, but has been addressed and resolved. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.
"In order to receive SSI benefits, you cannot own countable real or personal property (including cash) in excess of a specified amount at the beginning of each month. For an individual with an eligible or ineligible spouse, the applicable limit is one and one-half times as much as that for an individual without a spouse. These limits are set by law, and they are not subject to regular cost-of-living adjustments. But they are subject to change. The limits for January 2009 are $2,000 for an individual and $3,000 for a couple."

Recommendation:

NLACRC should closely monitor consumer trust accounts to ensure the balances remain within the resource limits to ensure the consumers’ SSI benefits are not affected.

Finding 3: Equipment Inventory-Missing Equipment

The sampled review of 40 items selected from NLACRC’s inventory listing revealed that four items were missing. NLACRC indicated that these items may have been misplaced during the move to its current location, and it is still trying to locate the items.

NLACRC provided additional information with its response which indicated that two items were located, and the remaining two missing items have been surveyed. (See Attachment B)

State Contract, Article IV, Section 4(a) states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract.”

Recommendation:

NLACRC should follow the State Equipment Management Systems Guidelines, Section III(c), to ensure that all State-owned equipment is properly safeguarded. In addition, if NLACRC is unable to locate the items, the items must be properly removed from its inventory listing.
EVALUATION OF RESPONSE

As part of the audit report process, NLACRC was provided with a draft audit report and requested to provide a response to the findings. NLACRC's response dated August 23, 2018, is provided as Appendix A.

DDS' Audit Section has evaluated NLACRC's response and will confirm the appropriate corrective actions have been taken during the next scheduled audit.

Finding 1: Family Cost Participation-Payments Above the Share of Cost

NLACRC agreed that it paid above the share of cost for two of three consumers identified in the finding. NLACRC agreed with the overpayment totaling $3,501.41 for consumer, [redacted]. Further, NLACRC indicated that the overpayment for consumer [redacted] is $4,587.60, and not the $4,364.46 overpayment calculated by DDS.

NLACRC provided a revised FCPP assessment which indicated the share of cost totaling $746.40 it paid for consumer [redacted] was correct. Therefore, the total overpayment outstanding is $8,089.01.

Finding 2: Client Trust Balances Over $2,000

NLACRC agreed with the finding and stated it would closely monitor the Client Trust accounts to ensure balances remain below the $2,000 resource limit. NLACRC provided additional information which indicated that the Client Trust balances for the two consumers have been reduced below the $2,000 resource limit.

Finding 3: Equipment Inventory-Missing Equipment

NLACRC agreed with the finding and indicated that it will follow its policies and procedures to ensure that state-owned equipment is properly safeguarded. In addition, NLACRC stated that it has located two of the missing items and provided documentation that the remaining two missing items have been surveyed.
## North Los Angeles County Regional Center
### Family Cost Participation Program - Overstated Share of Cost
#### Fiscal Years 2017-16 and 2016-17

<table>
<thead>
<tr>
<th>Unique Client Identification Number</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Service Code</th>
<th>Authorization Number</th>
<th>Payment Period</th>
<th>Overpayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HL0558</td>
<td>Right Choice-In Home Care</td>
<td>862</td>
<td></td>
<td>Dec-16</td>
<td>$1,500.60</td>
</tr>
<tr>
<td>2</td>
<td>HL0621</td>
<td>Accredited Respite Services</td>
<td></td>
<td></td>
<td>Sep-15</td>
<td>$463.20</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Oct-15</td>
<td>$370.56</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Nov-15</td>
<td>$392.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dec-15</td>
<td>$392.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Jan-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Feb-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mar-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Apr-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>May-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Jun-16</td>
<td>$414.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Jul-16</td>
<td>$482.64</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Aug-16</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**Total Overstated Share of Cost Payments** | **$8,089.01**
North Los Angeles County Regional Center
Equipment Inventory-Missing Equipment
Fiscal Years 2015-16 and 2016-17

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Serial Number</th>
<th>State Tag Number</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Pro AV Document Camera</td>
<td>100637522</td>
<td>336573</td>
<td>Missing</td>
</tr>
<tr>
<td>2 Automatic Paper Inserter</td>
<td>1023330</td>
<td>339549</td>
<td>Missing</td>
</tr>
</tbody>
</table>
APPENDIX A

NORTH LOS ANGELES COUNTY REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS
August 23, 2018

Mr. Edward Yan, Manager
Department of Developmental Services
Audit Branch
1600 Ninth St., Room 230, MS 2-10
Sacramento, CA 95814

RE: Draft Audit Report for Fiscal Years 2015-2016 and 2016-2017

Dear Mr. Yan:

The purpose of this letter is to respond to the Department of Developmental Services' (DDS) draft audit report of North Los Angeles County Regional Center (NLACRC) for fiscal years 2015-2016 and 2016-2017.

Audit Finding #1:

Family Cost Participation Program – Payments Above the Share of Cost

DDS sampled 20 consumer Family Cost Participation Program (FCPP) files and determined that, NLACRC paid the share of cost for three of the 20 consumers participating in this program. The share of cost should have been the responsibility of the three consumers’ families, resulting in overpayments totaling $8,630.27. 

NLACRC Response

- Line #1 - Consumer [REDACTED]
  NLACRC reviewed the FCPP assessment for consumer [REDACTED] and determined that NLACRC did not update services under authorization [REDACTED] in accordance with the FCPP assessment, which resulted in NLACRC paying the consumer’s share of cost. NLACRC has changed its FCPP procedures to minimize such errors. NLACRC is in agreement with the overpayment finding for [REDACTED] in the amount of $3,501.41.

- Line #2 - Consumer [REDACTED]
  Consumer [REDACTED] has a sibling who is also a regional center consumer, [REDACTED]. For sibling [REDACTED] NLACRC completed an FCPP assessment at 75% share of cost dated September 1, 2015. NLACRC subsequently received the parents’ income documentation, and based on the income documentation, NLACRC completed a revised FCPP assessment dated September 2, 2015 for sibling [REDACTED] at 0% share of cost. For consumer [REDACTED] NLACRC completed an FCPP assessment at 75% share of cost dated September 1, 2015. NLACRC, however, did not link the income documentation submitted for sibling [REDACTED] to consumer [REDACTED] and therefore, made an error by not revising [REDACTED] assessment from 75% to 0% share of cost. NLACRC has corrected the error by
completing a revised FCPP assessment for [redacted] at 0% share of cost retroactive to 2015 when the parents originally submitted the income documentation. NLACRC has updated the relationship tabs within SANDIS for both [redacted] and [redacted] to link the two consumers as siblings. (Please see Attachment A for supporting documentation.) Based on the revised FCPP assessment at 0% share of cost, the overpayment finding for [redacted] should be reduced from $764.40 to $0.

- Line #3 - Consumer [redacted]

NLACRC reviewed the FCPP assessment for consumer [redacted] and determined that NLACRC did not update services under authorization [redacted] in accordance with the FCPP assessment, which resulted in NLACRC paying the consumer's share of cost. NLACRC has changed its FCPP procedures to minimize such errors. DDS calculated the overpayment for the period of September 2015 through August 2016 as $4,364.46. NLACRC reviewed the payment history for the same period of time and calculated the overpayment as $4,587.60, detailed as follows:

<table>
<thead>
<tr>
<th>Service Month</th>
<th>Overpayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-15</td>
<td>$463.20</td>
</tr>
<tr>
<td>Oct-15</td>
<td>$370.56</td>
</tr>
<tr>
<td>Nov-15</td>
<td>$392.16</td>
</tr>
<tr>
<td>Dec-15</td>
<td>$392.16</td>
</tr>
<tr>
<td>Jan-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>Feb-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>Mar-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>Apr-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>May-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>Jun-16</td>
<td>$414.48</td>
</tr>
<tr>
<td>Jul-16</td>
<td>$482.64</td>
</tr>
<tr>
<td>Aug-16</td>
<td>$-</td>
</tr>
<tr>
<td>Total</td>
<td>$4,587.60</td>
</tr>
</tbody>
</table>

- Summary

During fiscal year 2017-2018, NLACRC updated its FCPP procedures. Prior to the change, when respite and daycare services were initially assessed for FCPP eligible consumers, case management authorized the services as ongoing with no end date. Once the FCPP assessment was completed, case management updated the authorization(s) in accordance with the FCPP assessment. If the consumer is assessed a share of cost, the authorization(s) must be updated to reflect a reduction in services.

NLACRC's updated FCPP procedures require that case management authorize initial respite and daycare services with an end date to coincide with the effective date of the FCPP assessment. Once the FCPP assessment is completed, case management must extend and update the authorization, if appropriate, in order for the services to continue. If case management does not extend and update the authorization, the services automatically terminate with the end date. NLACRC's updated procedures will reduce the likelihood of errors that result in NLACRC funding consumers' share of cost.

Based on NLACRC's calculations the overpayment for Finding 1 totals $8,089.01, detailed as follows:
Audit Finding #2

Client Trust Balances Over $2,000

DDS reviewed 35 Client Trust accounts and determined that two Client Trust balances exceeded the $2,000 resource limit established by the Social Security Administration for SSI benefit recipients.

NLACRC Response

Per Social Security Administration’s Understanding Supplemental Security Income SSI Resources – 2013 Edition (Attachment B), “cash received for medical or social services that we do not count as income is not a resource for one month.” Since Supplemental Security Income (SSI) payments are funds for social services for the consumer, SSI payments are excluded from countable resources in the month that they are paid. Accordingly, NLACRC was notified by the Social Security Administration via email on January 16, 2013, that “retained SSI payments do not count as a resource in the month they are paid” (Attachment C). Therefore, in order to determine a consumer’s countable resources, SSI payments received during the month must be excluded from the consumer’s trust account balance.

- Consumer [redacted]
  As of June 30, 2017, consumer [redacted] trust account ledger balance was $4,105.53. NLACRC reviewed the consumer’s trust account and determined that the consumer had a share of cost for residential services for March-May 2017 that had not been disbursed. After applying the consumer’s share of cost for residential services, the consumer’s available trust account balance as of June 30, 2017 is $0.05 and the consumer’s balance is not over the resource limit established by the Social Security Administration. (Please see Attachment D for supporting documentation.)

<table>
<thead>
<tr>
<th>Account Ledger Balance as of 6/30/17</th>
<th>4,105.53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undisbursed Benefits Received in June 2017</td>
<td>(1,026.37)</td>
</tr>
<tr>
<td>Undisbursed Share of Cost for March 2017</td>
<td>(1,026.37)</td>
</tr>
<tr>
<td>Undisbursed Share of Cost for April 2017</td>
<td>(1,026.37)</td>
</tr>
<tr>
<td>Undisbursed Share of Cost for May 2017</td>
<td>(1,026.37)</td>
</tr>
<tr>
<td>Available Resources as of 6/30/17</td>
<td>0.05</td>
</tr>
</tbody>
</table>

- Consumer [redacted]
  As of June 30, 2017, consumer [redacted] trust account ledger balance was $7,452.50. After deducting undisbursed benefits received in the month of June 2017 of $1,026.37, the consumer’s available resources as of June 30, 2017 was $6,426.13. NLACRC reviewed the consumer’s trust account and determined that the consumer required a spend down of available funds. In January 2018, a spend down was completed, which brought the consumer’s available resources below the $2,000 limit.
established by the Social Security Administration. (Please see Attachment E for supporting documentation.)

- Summary
NLACRC will closely monitor consumer trust accounts to ensure balances remain within the resource limit established by the Social Security Administration for SSI recipients in order to protect consumers' SSI benefits.

Audit Finding #3

**Equipment Inventory – Missing Equipment**

DDS sampled 40 inventory items and found four items were missing.

**NLACRC Response**

- Line 1 – Tag #336573 – Pro AV Document Camera
  NLACRC was unable to locate the inventory item. NLACRC has obtained authorization from the Department of General Services to dispose of the inventory item and has removed the item from its inventory list. (Please see Attachment F for supporting documentation.)

- Line 2 – Tag #339549 – Automatic Paper Inserter
  NLACRC was unable to locate the inventory item. NLACRC has obtained authorization from the Department of General Services to dispose of the inventory item and has removed the item from its inventory list. (Please see Attachment F for supporting documentation.)

- Line 3 – Tag #358046 – Shredder
  NLACRC has located the inventory item. (Please see Attachment G for supporting documentation.)

- Line 4 – Tag #378970 – LTE Hotspot
  NLACRC has located the inventory item. (Please see Attachment H for supporting documentation.)

- Summary
NLACRC will follow appropriate policies and procedures to ensure that all state-owed equipment is properly safeguarded.

If you have any questions regarding NLACRC's responses, please contact me at (818) 756-6388.

Sincerely,

Vini Montague
Director of Finance
cc: George Stevens, Executive Director  
Kim Roffes, Chief Financial Officer  
Ruth Janka, Deputy Director  
Jesse Weller, Consumer Services Director  
Maria Bosch, Consumer Services Director  
Sheila Calove, Consumer Services Director